

*Lawton Fire Department Board of Commissioners  
Van Buren County, Michigan*

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

*Year ended February 29, 2004*

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# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Lawton Fire Dept. Board of Commissioners</b>	County <b>Van Buren</b>
Audit Date <b>2/29/04</b>	Opinion Date <b>7/14/04</b>	Date Accountant Report Submitted to State: <b>8/30/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Siegfried Crandall PC</b>			
Street Address <b>246 East Kilgore Road</b>		City <b>Kalamazoo</b>	State <b>MI</b>
Accountant Signature <i>Siegfried Crandall P.C.</i>		ZIP <b>49002-5599</b>	
		Date	

## CONTENTS

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	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined balance sheet - General Fund and general fixed asset account group	4
Statement of revenues, expenditures, and changes in fund balance - budget and actual	5 - 6
Notes to financial statements	7 - 9
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	10

## INDEPENDENT AUDITORS' REPORT

**Members of the Board  
Lawton Fire Department Board of Commissioners**

We have audited the accompanying general purpose financial statements of the Lawton Fire Department Board of Commissioners as of February 29, 2004, and for the year then ended. These general purpose financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lawton Fire Department Board of Commissioners as of February 29, 2004, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 14, 2004, on our consideration of the Lawton Fire Department Board of Commissioners' internal control over financial reporting and our tests of its compliance with certain provisions of laws, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Siegfried Crandall P.C.*

July 14, 2004

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**Lawton Fire Department Board of Commissioners**  
**COMBINED BALANCE SHEET - General Fund and general fixed asset account group**  
February 29, 2004

	<u>General Fund</u>	<u>General fixed asset account group</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
<b>ASSETS</b>				
Cash	\$ 92,931	\$ -	\$ 92,931	\$ 19,427
Due from other governmental units	-	-	-	54,253
Fixed assets	-	1,413,969	1,413,969	1,375,762
<b>TOTAL ASSETS</b>	<u>\$ 92,931</u>	<u>\$ 1,413,969</u>	<u>\$ 1,506,900</u>	<u>\$ 1,449,442</u>
<b>FUND EQUITY</b>				
Investment in general fixed assets	\$ -	\$ 1,413,969	\$ 1,413,969	\$ 1,375,762
Fund balance:				
Designated for capital acquisition	50,000	-	50,000	30,000
Undesignated	42,931	-	42,931	43,680
<b>TOTAL FUND EQUITY</b>	<u>\$ 92,931</u>	<u>\$ 1,413,969</u>	<u>\$ 1,506,900</u>	<u>\$ 1,449,442</u>

See notes to financial statements

**Lawton Fire Department Board of Commissioners**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
*Year ended February 29, 2004*

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
<b>REVENUES:</b>				
Local unit contributions:				
Township of Antwerp	\$ 69,310	\$ 69,310	\$ -	\$ 54,253
Township of Porter	58,190	58,190	-	42,247
Federal grant - FEMA	36,000	36,844	844	-
Interest	1,200	624	(576)	1,125
Other	300	250	(50)	6,524
Total revenues	<u>165,000</u>	<u>165,218</u>	<u>218</u>	<u>104,149</u>
<b>EXPENDITURES:</b>				
Public safety:				
Officers' salaries	5,150	5,150	-	5,150
Administration	3,700	3,700	-	3,700
Payroll taxes	395	394	1	394
Employee insurance	3,632	3,632	-	2,454
Office supplies and postage	648	646	2	497
Uniforms	-	-	-	102
Operating supplies	5,893	5,687	206	8,645
Truck maintenance	3,260	4,046	(786)	3,407
Equipment maintenance	6,218	6,061	157	7,327
Building maintenance	303	303	-	1,388
Legal and accounting	1,300	1,300	-	1,300
Insurance	10,021	10,021	-	8,983
Public relations	6,790	6,663	127	6,293
Education and training	1,439	1,439	-	365
Rent	1	1	-	1
Fuel	1,160	1,184	(24)	1,208
Mileage	240	176	64	12

*See notes to financial statements*

**Lawton Fire Department Board of Commissioners**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (Continued)**

Year ended February 29, 2004

	<u>2004</u>		<u>Variance favorable (unfavorable)</u>	<u>2003</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES (Continued) :				
Public safety (continued):				
Dues and publications	\$ 225	\$ 225	\$ -	\$ 75
Telephone	848	842	6	733
Heat and electric	6,235	6,038	197	5,500
Miscellaneous	<u>1,042</u>	<u>1,060</u>	<u>(18)</u>	<u>172</u>
Total public safety	58,500	58,568	(68)	57,706
Capital outlay	<u>88,000</u>	<u>87,399</u>	<u>601</u>	<u>35,975</u>
Total expenditures	<u>146,500</u>	<u>145,967</u>	<u>533</u>	<u>93,681</u>
EXCESS OF REVENUES OVER EXPENDITURES	18,500	19,251	751	10,468
FUND BALANCE - BEGINNING OF YEAR	<u>73,680</u>	<u>73,680</u>	<u>-</u>	<u>63,212</u>
FUND BALANCE - END OF YEAR	<u>\$ 92,180</u>	<u>\$ 92,931</u>	<u>\$ 751</u>	<u>\$ 73,680</u>

See notes to financial statements



**Lawton Fire Department Board of Commissioners**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Lawton Fire Department Board of Commissioners (the Fire Department) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant accounting policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Fire Department. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Fire Department exercises oversight responsibility.

Costs of operations and capital expenditures are supported by contributions from the Village and the Townships, that take into account their respective SEV, population, and number of fire calls.

*b) Basis of presentation:*

The accounts of the Fire Department are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The fund and account group are described as follows:

General Fund - this fund is the general operating fund of the Fire Department. It is used to account for all financial resources except those required to be accounted for in another fund.

General fixed asset account group - this account group presents the fixed assets of the Fire Department utilized in its general operations.

*c) Basis of accounting:*

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Fire Department prepares its financial statements on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets.

Expenditures are recognized when the liability is incurred (when the goods or services are received) rather than when paid.

**Lawton Fire Department Board of Commissioners**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Budgets and budgetary accounting:*

The Fire Department follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978), as prescribed by the State of Michigan. Budgets are adopted at the functional level and are consistent with generally accepted accounting principles.

*e) Fixed assets:*

Fixed assets used in operations are accounted for in the general fixed asset account group, rather than in the General Fund. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

This account group is not a fund. It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

The Fire Department utilizes assets owned by the participating local units of government. These assets are reported in the general fixed asset account group of the participating member units. All assets acquired by the Fire Department are owned by the member units as tenants in common in the ratio of their respective SEV, population, and number of fire calls at the time of acquisition.

*f) Comparative data:*

Comparative data for the prior year has been presented in the financial statements in order to provide an understanding of changes in the Fire Department's financial position and results of operations. However, comparative data (i.e. presentation of prior year's totals by fund type) has not been presented in each of the statements because their inclusion would make the statements unduly complex and difficult to read.

**NOTE 2 - CASH:**

*Deposits with financial institutions:*

At February 29, 2004, the Fire Department has deposits with a carrying amount of \$92,931 and a bank balance of \$136,518, which is covered by federal depository insurance.

**Lawton Fire Department Board of Commissioners**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - GENERAL FIXED ASSETS:**

A summary of changes in general fixed assets follows:

	<i>Balance March 1, 2003</i>	<i>Additions</i>	<i>Dispositions</i>	<i>Balance February 29, 2004</i>
Vehicles	\$ 703,783	\$22,000	\$ -	\$ 725,783
Machinery and equipment	259,926	16,207	-	276,133
Leasehold improvements	<u>412,053</u>	<u>-</u>	<u>-</u>	<u>412,053</u>
Total	<u>\$1,375,762</u>	<u>\$38,207</u>	<u>\$ -</u>	<u>\$1,413,969</u>

**NOTE 4 - RISK MANAGEMENT:**

The Fire Department is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability up to \$3,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board  
Lawton Fire Department Board of Commissioners

We have audited the general purpose financial statements of Lawton Fire Department Board of Commissioners (Fire Department), as of and for the year ended February 29, 2004, and have issued our report thereon dated July 14, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Fire Department's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal control over financial reporting**

In planning and performing our audit, we considered the Fire Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

July 14, 2004